

Message Text

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ORIGIN ARA-10

INFO OCT-01 EA-07 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE

INFO AMEMBASSY LIMA

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E.O. 11652: N/A

TAGS: EFIN, PE, JA

SUBJECT: CONCERN OVER JAPANESE PARTICIPATION IN LOAN TO
US COPPER PROJECT IN PERU

REFERENCE: A) STATE 239076; B) LIMA 10382

1. SUMMARY - JAPANESE COMPONENT OF LARGE SYNDICATED LOAN
TO IMPORTANT US COPPER PROJECT IN PERU ENDANGERED APPARENT-
LY BY APPREHENSIONS ON PART OF JAPANESE BANKS ABOUT PERU IN
GENERAL. US COMPANY REPRESENTATIVES DISPATCHED TO TOKYO,
MAY SEEK EARLY APPOINTMENT WITH EMBASSY ON ISSUE. END
SUMMARY.

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2. CHARLES BARBER OF ASARCO (AMERICAN SMELTING AND

REFINING) HAS INFORMED DEPARTMENT THAT HIS COMPANY AND CHASE, LEADER OF INTERNATIONAL CONSORTIUM OF BANKS LENDING TO ASARCO SUBSIDIARY, SOUTHERN PERU COPPER CORPORATION, HAVE BECOME VERY CONCERNED OVER PARTICIPATION BY JAPANESE BANKS IN FURTHER CONSORTIUM LOAN TO SPCC TO COMPLETE FINANCING OF VAST CUAJONE PROJECT IN PERU. CONSORTIUM HAD PREVIOUSLY LOANED \$200 MILLION TO PROJECT; \$58.4 MILLION ADDITIONAL NOW REQUIRED, IN PART TO DISCHARGE EARLIER BRIDGE FINANCING. JAPANESE PARTICIPATION IN SUPPLEMENTARY LOAN WAS TO AMOUNT TO \$8.3 MILLION. BANKS INVOLVED INCLUDE MITSUI, MITSUBISHI,

NIPPON FUDOSAN, FIVE OTHERS.

3. NOVEMBER 15 JAPANESE BANKS SUDDENLY INFORMED CHASE THAT THEY WERE HAVING SECOND THOUGHTS REGARDING PARTICIPATION. THAT PARTICIPATION IS CRITICAL TO LOAN PACKAGE WHICH, LACKING JAPANESE CONTRIBUTION, MAY BREAK APART COMPLETELY. CHASE AND ASARCO/SPCC HAVE DISPATCHED FRED FIGGE AND STEVE MCCANDLESS (RESPECTIVELY) TO TOKYO TO URGE IMMEDIATE FAVORABLE DECISION BY JAPANESE BANKS. MAY APPEAL TO GOJ TO MOVE BANKS; JAPANESE EMBASSY/WASHINGTON SO INFORMING TOKYO. FIGGE AND MCCANDLESS MAY ALSO SEEK APPOINTMENT WITH US AMBASSADOR, POSSIBLY NOVEMBER 19.

4. SPCC BY FAR LARGEST COPPER PRODUCER IN PERU, ONLY US COMPANY LEFT OPERATING IN LARGE-MINING SECTOR. CUAJONE A \$720 MILLION PROJECT, WILL PRODUCE 165,000 TONS A YEAR. IT SOON TO GO ON STREAM, WILL INCREASE PERU'S COPPER OUTPUT BY OVER 85 PERCENT. (SPCC'S OTHER MINE, TOQUEPALA, PRODUCED 56 PERCENT OF COUNTRY'S TOTAL PRODUCTION IN 1975.) COPPER EXPORTS MAIN FOREIGN EXCHANGE EARNER FOR PERU; WITH CUAJONE IN PRODUCTION, EARNINGS EXPECTED TO RISE FROM \$326 MILLION THIS YEAR TO \$639 MILLION IN 1977. COPPER EXPORT EARNINGS VITAL COMPONENT IN SWEEPING ECONOMIC STABILIZATION PROGRAM INSTITUTED BY PERU THIS PAST YEAR. UPON RELATIVE SUCCESS OF THAT PROGRAM IS DEPENDENT TO IMPORTANT DEGREE CONTINUED MODIFICATION OF PERUVIAN REVOLUTION IN CURRENTLY FAVORABLE DIRECTION, AWAY FROM RADICAL DOCTRINAIRE LEFT TOWARD MODERATE, PRAGMATIC POSITIONS.

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5. ASARCO HAD NO EXPLANATION FOR DISTURBING SHIFT IN ATTITUDE OF JAPANESE BANKS. IN EARLIER CONVERSATION BY DEPTOFF WITH JAPANESE EMBASSY/WASHINGTON ON STATUS JAPANESE BANK PARTICIPATION IN \$400 MILLION BALANCE-OF-PAYMENTS FINANCING FOR GOP (REF A), SECOND SECRETARY NISHIMURA ADVISED JAPANESE BANKS STILL RELUCTANT TO MAKE EXPECTED CONTRIBUTION OF \$30-40 MILLION A YEAR. NISHIMURA

EXPLAINED PERU'S IMAGE NOT GOOD AMONG BANKS; COUNTRY IS REGARDED AS "SOCIALIST" STATE WHICH THEY UNEASY ABOUT DOING BUSINESS WITH. ROLE OF FOREIGN AMBASSADORS IN TOKYO IMPORTANT IN GAINING FINANCING FOR THEIR COUNTRIES, NISHIMURA ADDED. PERU'S DESCRIBED AS INACTIVE, ARROGANT, UNCONCERNED RE PENDING LOAN APPLICATIONS FROM/FOR PERU. DIRECTOR LATIN AMERICAN DIVISION IN JAPANESE FOREIGN MINISTRY HAD SUBTLY SUGGESTED THAT PERUVIAN AMBASSADOR ENGAGE IN ACTIVELY LOBBYING FOR LOANS, BUT LATTER HAS NOT ACTED. (RE BALPA LOAN, NISHIMURA REMARKED JAPANESE BANKS MUCH MORE INTERESTED IN PROVIDING FINANCING FOR ARGENTINA, URUGUAY AND BRAZIL, ALL OF WHICH ALSO IN MARKET.)

6. NOT KNOWN WHETHER ABOVE FACTORS APPLICABLE TO JAPANESE BANK CONSIDERATION LOAN TO SPCC, BUT MAY BE. REGARDING IMAGE OF PERU AS RIGID "SOCIALIST" COUNTRY, REF B (WHICH ALSO CONCERNS CUAJONE PROJECT) BEING REPEATED TOKYO.

7. PRECISE ROLE USG REPRESENTATIVES CAN PLAY IN MATTER NOT CLEAR. FOREGOING PROVIDED AS BACKGROUND SHOULD FIGGE AND MCCANDLESS REQUEST APPOINTMENT AT EMBASSY.

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